

Message Text

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PAGE 01 SEOUL 04468 260945Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 XMB-02 AID-05 EB-08 TRSE-00
COME-00 OMB-01 CIAE-00 INR-10 NSAE-00 SSO-00
INRE-00 DOTE-00 FAA-00 CAB-02 NSCE-00 /053 W
-----123824 260959Z /10

O 260744Z MAY 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC IMMEDIATE 1320
INFO AMEMBASSY TOKYO IMMEDIATE
AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY RANGOON
AMEMBASSY SINGAPORE
AMEMBASSY TAIPEI
AMEMBASSY PARIS

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C O R R E C T E D C O P Y (TEXT CORRECTED)

DEPT PASS EXIM BANK

E.O. 11652: N/A
TAGS: BENC, EAIR, EAID, ETRD, EFIN, KS, JA
SUBJ: JAPANESE AID UNTYING AND YEN CREDITS; US AIRCRAFT FOR KAL

REF: SEOUL 4391

1. IN CONVERSATION WITH ECON-COM COUNS MAY 26 ASSISTANT
MINISTER OF FINANCE CHUNG IN YONG NOTED THAT THE PROPOSED
KOREA AIRLINES LEASING PURCHASE ARRANGEMENT WITH JAPANESE
LEASING COMPANIES (REFTEL) HAD BEEN SUBMITTED FOR MINISTRY
OF FINANCE APPROVAL. HE OBSERVED THAT THE ROKG DID NOT
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PARTICULARLY LOOK WITH FAVOR UPON THE TRANSACTION BECAUSE
IT DID NOTHING FOR KOREA'S FAVORABLE BALANCE WITH THE US
WHILE IT WOULD MAKE THE JAPANESE SURPLUS LOOK BETTER. HE
ACKNOWLEDGED THAT THE TRANSACTION IS EXTREMELY FAVORABLE
TO KAL AND OF COURSE IS ONLY AN EXERCISE IN COSMETOLOGY.

2. EMBOFF LATER TALKED WITH CHO CHOONG KUN, EXECUTIVE

VICE PRESIDENT OF KAL, WHO REPORTED THAT HE HAD RECEIVED EXPRESSIONS OF ROK GOVERNMENT DISFAVOR RE TRANSACTION TO WHICH HE HAD REPLIED THAT HIS ABILITY TO SHAVE A FEW POINTS FROM HIS USUAL AIRCRAFT FINANCING COSTS MADE THE DEAL IRRESISTABLE. HE HOPES FOR ROKG APPROVAL BUT IS NOT PREPARED TO FIGHT WITH IT ON THE ISSUE.

3. MR CHO ASKED EMBOFF WHETHER EXIM MIGHT BE ABLE TO FINANCE THE TRANSACTIONS AS PROPOSED ON TERMS COMPARABLE TO JAPANESE OFFER. IF SO HE SAID HE WOULD PREFER TO DEAL WITH THE US DIRECTLY TO AVOID ANY FRICTION WITH THE ROKG. EMBOFF AGREED TO LODGE INQUIRY WITH EXIM BANK.

4. WITH REGARD TO JAPANESE DELIVERY REQUIREMENTS CHO SAID THAT KAL HAD ORDERED TWO NEW 747'S MORE THAN 15 MONTHS AGO FOR WHICH THE JAPANESE WOULD SIMPLY PICK UP THE FINANCES WITH DELIVERIES TO BE MADE WITHIN THE DEADLINE SET BY THE GOJ. THE USED 747 WOULD PRESENT NO PROBLEM.

5. EMBASSY COMMENT: WE BELIEVE THAT CHUNG'S REFERENCE TO THE DEAL BEING MERELY COSMETIC SUGGESTS THAT MOF WILL APPROVE THE TRANSACTION BECAUSE IT IS SO ADVANTAGEOUS TO KAL FINANCIALLY. ASSUMING THAT EXIM BANKS MANDATE RELATES CHIEFLY TO ASSURING EXPORTS OF LIMITED OFFICIAL USE

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US AIRCRAFT WITHOUT REFERENCE TO WHICH COUNTRIES' TRADE ACCOUNT MIGHT BE AFFECTED, WE BELIEVE THAT LITTLE ADVANTAGE WOULD BE GAINED BY US GOVERNMENT/EXIM BANK INTERVENTION AT THIS LATE STAGE. ANY INTERVENTION OF COURSE TO UPSET JAPANESE OFFER WOULD REQUIRE THAT EXIM BANK OFFER A PACKAGE CLOSE TO THAT OF JAPAN.
STERN

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